

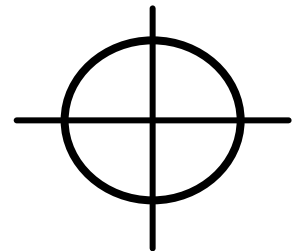
INTERNET-BASED CUSTOMER SERVICE: ORGANIZATIONAL EXPERIENCES

Research Project 1-02-04-3-001

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Project Objectives

- 1) Determine leading-edge organizational and technological practices for providing and managing Internet-based customer service in comparable private and public organizations.
- 2) Determine potential organizational impacts based on the experiences of the surveyed organizations.

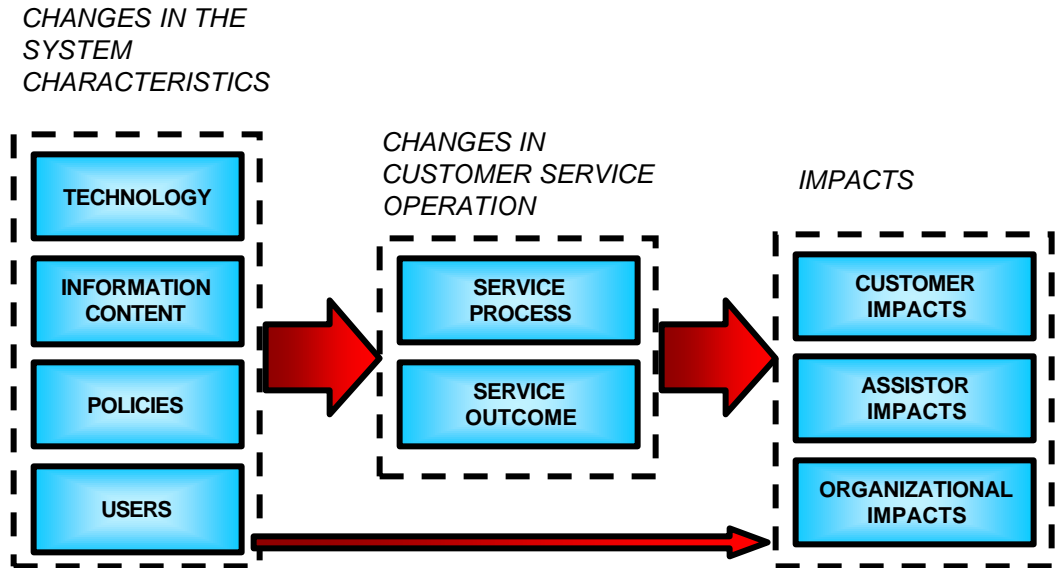


Model: Impacts of Innovation in Customer Service

The following information was used to develop our model:

- Scientific literature;
- Prior W&I research;
- Customer input.

The model shows that changes in the characteristics of the system (e.g., a change in technology) may induce changes in the system operations (e.g., the way assistants do their job or the quality of the answers), which in turn result in variables of organizational interest (such as costs of producing the service, or the productivity per assistant).



The model was used to generate interview scripts and to organize the results.

The first two sections of the model (changes in the system characteristics and changes in customer service operation) provide the framework for our first objective. The last section (impacts) provides the framework for our second objective.

Research Methods

Market Segment – Public and private organizations that

- have implemented systems to deliver customer support using Internet technology, and
- are comparable to IRS.

Methodology – The two project objectives were achieved through a series of theory-based structured interviews with key managers in selected comparable public and private organizations.

Research Methods (continued)

Comparable Public and Private Organization – The customer selected the public organizations and we used sampling to arrive at a list of potential private organizations to interview. To identify the private organizations we used the Fortune 100 list and the Fortune e-50 list as published in October 2001. We ranked these 150 organizations according to the following criteria.

1. Is the organization serving the general public?
2. Does the organization provide a significant amount of services, as opposed to physical products?
3. Is it in the financial industry?
4. Does the organization provide information-intensive help?
5. Is the organization likely to be sensitive to security?
6. Is the organization technologically sophisticated?

After completing our identification, we sent letters to the organizations advising them about our project and soliciting their voluntary participation. We interviewed 8 organizations – 2 public and 6 private. The following slide shows the diversity of our selection.

Participating Organizations

<i>Sector</i>	<i>Public</i>	<i>Fortune 100 or Fortune e-50</i>
Software and Financial Services		X
Brokerage		X
State Taxation Agency	X	
Federal Agency	X	
Mortgage		X
Banking		X
Computer Hardware		X
Software		X

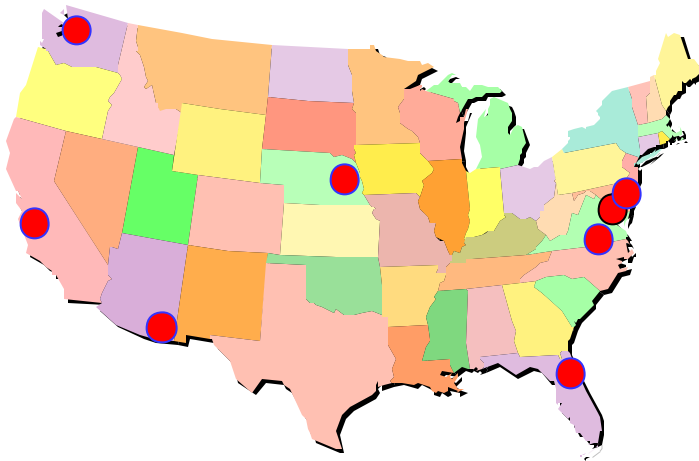
Sources and Interview Sites

12 VP and directors.

15 Senior managers and managers.

7 IT administrators and assistants.

34 Individuals across 8 sites (Baltimore, Jacksonville, Omaha, Richmond, Tucson, San Jose, Seattle, Washington, DC.)



Interviews conducted:

July – October 2002

Preliminary presentation to the customer:

November 14, 2002

Findings

Technological Trends

- The number of customer assistance channels offered varied from a low of two channels to a high of six channels.
 - Everyone agreed that web use will continue to grow.
 - They also generally agree that phone volumes will either decrease or remain stable.
 - Four of the eight organizations believe email use will increase, two are noncommittal, one believes its use will be limited, and one has eliminated email from its channel portfolio.
- Perhaps the most unexpected finding was the diffusion of “chats” (i.e., instant messaging systems) as a means to deliver customer service. However, the forecast for chat is unclear.
- While implementation of new technology is perceived as slow, the organizations seem to conduct a fair amount of experimentation “at the margin” with small and pilot projects.

Findings (continued)

Best Practices

- **Changes in the System Characteristics**

- The most important trend and best practice in information content is the reuse of knowledge
 - For example, having customers, assistors, and all customer assistance channels accessing the same database for information.
- Use web templates (structured web pages that discipline the interaction between the consumer and the organization).
 - For example, a “drop-down” box with fixed choices as opposed to a field to fill with free text.
- An effective escalation policy should be implemented both within and across channels.
 - A contact is considered “escalated” when the customer is not able to reach a solution with the first assistor and is referred to a second assistor who is usually more trained or has more experience.
- Create career paths for employees.

Findings (continued)

- **Changes in the Customer Service Operation**

- While most organizations believe they should offer a portfolio of channels, they also believe it is appropriate to funnel incoming queries to the “right” channel.
- Manage the customer, not the case. Capturing the history of interactions between a customer and the overall organization increases customer satisfaction (e.g., by avoiding asking the customer repeatedly for a description of the problem) and saves valuable assistor time.
- Make the website easy to use.
- Employ usability labs *throughout* the development process.
- Model websites according to customer needs, not organizational structure.
- Manage customer expectations about email timeliness.
- Aim at first-contact resolution.

Findings (continued)

- **Organizational Impacts**

- We need to invest where we are most likely to obtain the largest impact in terms of customer satisfaction (i.e. satisfaction drivers).
- We should measure problems solved, not contacts with customers.
- It is important that we not look at channels in isolation, but consider the interaction of the various channels for providing customer service.
- Reduce the customer's need to contact us. Improve our products.
- Be alert to the existence of opportunities beyond delivering the service required by the customer. A customer satisfied by a solution to his/her problem and on the phone or looking at a web page is a very low cost opportunity for additional services or to resolve other issues.
- Measure, measure, measure. To operationalize powerful and intuitive concepts such as satisfaction and first-contact resolution is harder to do well than it may seem.

Conclusions

- Our report provides an up-to-date panorama of current best practices in the delivery of customer support via the Internet.
- The next step forward in increasing efficiency in customer support comes from the electronic channels, which are less mature and have greater potential for improvement.
- We recommend that the 'Technological Trends' and 'Best Practices' of the nation's leading organizations be considered with an open mind. At the same time, differences in mission, operations, and markets between these organizations and IRS require that adoption of these best practices be done on a carefully considered, case-by-case basis.